LABYRINTH ESTATES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

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Company No: 3833200

LABYRINTH ESTATES LIMITED

DIRECTOR AND OFFICERS

DIRECTOR

W K Procter

SECRETARIES

I Rapley
A Wolfson

REGISTERED OFFICE

Molteno House
302 Regents Park Road
London
N3 2JX

AUDITORS

Baker Tilly UK Audit LLP
Chartered Accountants
The Clock House
140 London Road
Guildford
Surrey GU1 1UW

LABYRINTH ESTATES LIMITED

DIRECTOR'S REPORT

The director submits his report and the financial statements for the year ended 31 December 2007.

Principal activities

The principal activity of the company during the year was property investment.

Review of the business and future developments

The director is satisfied with the result for the year and the financial position of the company at the year end subject to the matters set out in note 17 and that discussed in the accounting policies on page 7 concerning events that have occurred after the balance sheet date, of which some possible consequent events may have an impact on the company's ability to continue as a going concern.

Results and dividends

The profit for the year was £3,343 (2006: £11,632). The director does not recommend the payment of a dividend.

Investment properties

The investment properties have been valued on an actuarial basis at £1,700,000 (2006: £986,667). The increase in value in the year amounted to £713,333 (2006: £586,667).

Director

The director who served during the year was as follows:

W K Procter

Statement of director's responsibilities

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is required to:

a. select suitable accounting policies and then apply them consistently;
b. make judgements and estimates that are reasonable and prudent;
c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the requirements of the Companies Act 1985. He is also responsible for safeguarding the assets of the company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to auditors

The director who was in office on the date of approval of these financial statements has confirmed, as far as he is aware, that there is no relevant audit information of which the auditors are unaware. The director has confirmed that he has taken all the steps that he ought to have taken as director in order to make himself aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditors

The auditor, Baker Tilly UK Audit LLP, Chartered Accountants has indicated its willingness to continue in office.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the Board:

W K Procter
Director

18 | 08 | 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LABYRINTH ESTATES LIMITED

We have audited the financial statements on pages 5 to 12.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion
- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31 December 2007 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of matter – Going concern
In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in the accounting policies on page 7 and the disclosures set out in note 17 on page 12 of the financial statements which set out events occurring since the year ended 31 December 2007 of which some possible consequent events may have an impact on the company's ability to continue as a going concern. These possible consequent events indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP

Registered Auditor
Chartered Accountants
The Clock House
140 London Road
Guildford
Surrey GU1 1UW

19 August 2009

LABYRINTH ESTATES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £	2006 £
Turnover	1	**27,155**	27,987
Administration costs		**(23,765)**	(16,969)
Operating profit		**3,390**	11,018
Interest receivable		**251**	866
Interest payable and similar charges	2	**(298)**	(252)
Profit on ordinary activities before taxation	3	**3,343**	11,632
Tax on profit on ordinary activities	5	**-**	-
Retained profit for the financial year	12	**£ 3,343**	£ 11,632

The operating profit for the year arises from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 2007

		2007 £	2006 £
Profit for the financial year		**3,343**	11,632
Unrealised surplus on valuation of investment properties	6	**713,333**	586,667
Total recognised gains and losses for the year		**£ 716,676**	£ 598,299

LABYRINTH ESTATES LIMITED

BALANCE SHEET

AT 31 DECEMBER 2007

	Notes	2007	2006
		£	£
Fixed assets			
Investment properties	6	**1,700,000**	986,667
Current assets			
Debtors due within one year	7	**2,483**	12,178
Debtors due after more than one year	7	**13,058**	-
		15,541	12,178
Creditors: amounts falling due within one year	8	**(3,356)**	(3,336)
Net current assets		**12,185**	8,842
Net assets		**£ 1,712,185**	£ 995,509
Capital and reserves			
Called up share capital	10	**2**	2
Revaluation reserve	11	**1,700,000**	986,667
Profit and loss account	11	**12,183**	8,840
Shareholders' funds	11	**£ 1,712,185**	£ 995,509

The financial statements on pages 5 to 12 were approved by the board of directors and authorised for issue on 18/08/ 2009 and are signed on its behalf by:

W K Procter
Director

Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

Going concern

The financial statements have been prepared on the going concern basis which assumes that the post balance sheet share pledges and negotiations with the charge holder referred to in note 17 will not result in a realisation of the shares covered by the pledges and that the actions of the joint receivers in respect of those shares will not give rise to an event of default in respect of the group's borrowings from its senior lender and that consequently there will be no withdrawal of those facilities. Should the shares covered by the pledges be realised this action would constitute a change in control of the company and of its United Kingdom group and this would constitute an event of default in respect of the group's borrowings from its senior lender. The principal direct and indirect effects of such a change of control, or of any other event of default arising from the actions of the joint receivers in respect of the group's borrowings from its senior lender, are that:

i. the cross collateralised borrowings of the company's group to the senior lender, as set out in note 12, totalling £69,430,577 at the year end, could become immediately repayable and further costs could arise in respect of the interest rate arrangements that fix the interest rates on those loans, the level of which would depend on the market rates of interest prevailing at the time of such a termination;

ii. if not repaid when due, the senior lender to the company's United Kingdom holding company could exercise its share pledges over that holding company and its group companies and take control or could exercise its security direct over the company's investment properties. The senior lender may seek to sell the holding company, individual companies or dispose of assets separately or together and at a time of its own choosing. This process may not represent an orderly realisation in the normal course of business so the company's investment properties would, probably, only be realised at values significantly less than their carrying values in these financial statements; and

iii. if a realisation of the company's investment properties is carried out then a tax liability would arise on any sale of the properties at values in excess of cost. No provision is made in the financial statements for any such tax liability. A disposal based on the carrying value of the properties as at the year end would have resulted in a tax liability crystallising, estimated at £475,000 as referred to in note 9.

Investment properties

In accordance with Statement of Standard Accounting Practice 19:

- investment properties, comprising of freehold reversionary interests, are revalued annually to open market value on an actuarial basis and the aggregate surplus or deficit is transferred to a revaluation reserve; and
- no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

Freehold reversionary interests are more akin to financial investments, as they generate income in the form of annual ground rents and other ancillary income streams such as fees for lease extensions and assignments. Recognising the unusual nature of these investment properties and the lack of a regular market for such significant portfolios of such assets the director is of the opinion that the best approximation to an open market value for these properties as required under SSAP 19 is provided by an actuarial valuation of the income streams generated by these assets. The actuarial valuation of the entire freehold reversionary interest portfolio is undertaken annually by independent actuaries.

Investment properties (Continued)

This treatment, as regards the company's investment properties, is a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the director considers that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Turnover

Turnover comprises rent receivable, administration fees and insurance commission from investment properties.

Deferred taxation

Deferred taxation is calculated on the liability method. It is provided to the extent that it is considered, with reasonable probability, that a liability will become payable within the foreseeable future. Deferred tax is measured on a non-discounted basis.

No provision is made for any liability to tax that would arise in the event of the sale of the investment property at the value at which it is stated in the financial statements. An estimate of this liability is set out in note 9.

Cash flow statement

The company is exempt from the requirement to prepare a cash flow statement as it is entitled to the exemptions for small companies accounts set out in sections 246 to 249 of the Companies Act 1985.

LABYRINTH ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

1. Turnover

	2007	2006
	£	£
Rent receivable	**23,025**	23,620
Administration fees	**3,412**	3,750
Insurance commission	**718**	617
	£ 27,155	£ 27,987

2. Interest payable and similar charges

	2007	2006
	£	£
Interest on parent company loan	**£ 298**	£ 252

3. Loss on ordinary activities before taxation

	2007	2006
	£	£
The loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration	**£ 5,000**	£ 4,000

4. Employees and director

There were no employees during the year other than the directors, who received no remuneration for their services.

5. Taxation

	2007	2006
	£	£
Current tax:		
UK corporation tax on losses of the year	-	-
Total current tax	-	-
Factors affecting tax charge for the year:		
Profit on ordinary activities before tax	**3,343**	11,632
Loss on ordinary activities multiplied by the standard rate of Corporation tax in the UK of 30% (2006: 30%)	**1,003**	3,490
Effects of:		
Losses utilised	-	(838)
Utilisation of group relief	**(1,078)**	(2,652)
Expenses not deductible for tax purposes	**75**	-
Current tax charge for the year	£ -	£ -

The company has estimated losses of £Nil (2006: £Nil) available to carry forward against future trading profits.

No deferred tax asset has been recognised in respect of these losses due to uncertainty of recovery.

6. **Fixed assets**

Investment properties:	**Freehold reversionary interests**
Valuation	**£**
As at 1 January 2007	986,667
Revaluation surplus	713,333
As at 31 December 2007	**£ 1,700,000**

As at 29 February 2008 a leading independent firm of financial and actuarial consultants valued the properties on an actuarial basis at £1,700,000 (2006: £986,667). The director considers that the value of the investment properties at the balance sheet date is not materially different from that value.

The basis of this valuation was to project risk adjusted income streams generated by the portfolio over 50 years, discounted by a risk fee rate of return.

The historical cost of the property at 31 December 2007 was £Nil (2006: £Nil).

7. **Debtors**

	2007	2006
	£	£
Amounts due within one year		
Trade debtors	**2,483**	8,354
Amounts due after one year		
Amounts owed by parent undertaking	**13,058**	3,824
	£ 15,541	£ 12,178

8. **Creditors - amounts falling due within one year:**

	2007	2006
	£	£
Accruals and deferred income	**£ 3,356**	£ 3,336

9. **Deferred taxation**

No provision for deferred taxation has been made in respect of the property held as an investment, which is included in these financial statements at a valuation of £1,700,000 (2006: £986,667). It is estimated that if the property were to be sold at that valuation the tax liability would amount approximately to £475,000 (2006: £295,000).

10. **Share capital**

	2007	2006
	£	£
Authorised:		
1,000 ordinary shares of £1 each	**£ 1,000**	£ 1,000
Allotted, issued and fully paid:		
2 ordinary shares of £1 each	**£ 2**	£ 2

11. **Reserves and reconciliation of movements in shareholders' funds**

	Revaluation reserve £	Share capital £	Profit and loss account £	Total shareholders' funds £
Opening shareholder's funds	986,667	2	8,840	995,509
Profit for the year	-	-	3,343	3,343
Revaluation surplus	713,333	-	-	713,333
Closing shareholders' funds	**1,700,000**	**2**	**12,183**	**£ 1,712,185**

12. **Contingent liability**

The company has given an unlimited guarantee supported by a debenture and a charge over the company's investment properties in respect of some of the indebtedness of its parent company Fairhold Holdings (2006) Appts Limited, and fellow group undertakings Fairhold Holdings (2006) RPI Limited and Fairhold Holdings (2006) Houses Limited. The company has also given unlimited guarantees in respect of some of the indebtedness of the related parties Fairhold Holdings (2005) Limited and Fairhold Homes Investment (No.9) AL Limited. These parties are related by virtue of common directors. At 31 December 2007 the total amount outstanding subject to those guarantees was £69,430,577 (2006: £68,198,534).

13. **United Kingdom holding company**

The company is a wholly owned subsidiary undertaking of Fairhold Holdings (2006) Appts Limited, which is registered in England and Wales. This parent undertaking is the holding company of both the largest and smallest group for which consolidated accounts are prepared and of which the company is a member. Copies of the financial statements are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

14. **Ultimate holding company**

The director regards the ultimate holding company to be Euro Investments Overseas Incorporated, a company incorporated in the British Virgin Islands.

15. **Ultimate controlling party**

The ultimate controlling party is the Investec Trust (Guernsey) Limited as trustees of the Tchenguiz Family Trust.

16. Related party transactions

The company has taken advantage of the exemption within Financial Reporting Standard 8 not to disclose intra-group related party transactions between group undertakings where more than 90% of the voting rights are controlled within the group.

During the year the company incurred a management charge of £18,515 (2006: £10,519) from Estates & Management Limited, a related party by virtue of common directors. Interest of £251 (2006: £866) was paid by Estates & Management Limited on amounts owed to the company during the year. At the year end the amount due from Estates & Management Limited was £Nil (2006: £Nil).

17. Subsequent events

Subsequent to the year end on 31 March 2008 shares in companies immediately controlling the company's United Kingdom holding company, Fairhold Holdings (2006) Appts Limited, have been pledged as security to secure the financial liabilities of a related party, Oscatello Investments Limited. On 10 December 2008 these liabilities have been called and Grant Thornton UK LLP and Grant Thornton (British Virgin Islands) Limited have been appointed as joint receivers in respect of the pledged shares. As at the date of approval of these financial statements negotiations are underway with the charge holder and the receivers acting on its behalf regarding a settlement of the financial liabilities in question.